

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 EA-07 FRB-03 INR-07 NEA-10 NSAE-00
USIA-06 OPIC-03 SP-02 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 XMB-02 L-03 STR-04 /108 W
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 1343
INFO AMEMBASSY PARIS
USMISSION GENEVA

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USOECD

ALSO FOR USEEC

E.O. 11652: N/A
TAGS: EFIN, EC, BE
SUBJECT: MORLEGHEM COMMENTS ON U.S. EXPORT CREDITS
WORKING PAPER

REF: STATE 147356

1. IN CONVERSATION WITH EMBOFF AUGUST 11, GILBERT MORLEGHEM (BELGIAN FOREIGN MINISTRY EXPERT ON EXPORT CREDIT POLICY AND CHAIRMAN OF THE OECD EXPORT CREDIT GROUP) SPOKE AT SOME LENGTH IN OPPOSITION TO MAJOR THRUST OF U.S. PROPOSALS FOR CHANGE IN CURRENT EXPORT CREDIT CONSENSUS (REFTEL). MORLEGHEM'S MAIN OBJECTION IS THAT THE U.S. PROPOSALS INTRODUCE ELEMENTS WHICH WOULD UNDERCUT INDUSTRIALIZED EXPORTERS AS A GROUP, ENCOURAGE THE FRENCH AND PERHAPS OTHERS TO LEAVE THE CONSENSUS (REVIVING THE EC COMPETENCY ISSUE), AND GREATLY COMPLICATE EFFECTIVE
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CONSULTATION. HE SAID THAT THIS REFLECTS NOT ONLY HIS VIEWS AND THOSE OF THE BELGIAN GOVERNMENT BUT, HE BELIEVES, ALSO THE GENERAL REACTION OF THE EC COMMISSION AND OTHER MEMBER STATES.

2. MORLEGHEM SAID THAT THE EC FAVORS A GENERAL TIGHTENING AND MORE PRECISE DEFINITION OF THE TERMS OF THE CURRENT

CONSENSUS, BEFORE IT IS RENEWED NEXT JANUARY. THE U.S. PROPOSALS STRIKE OUT "ON A NEW PATH", HOWEVER, BY CLOSELY LINKING MINIMUM INTEREST RATES TO PERIOD OF REPAYMENT. SUCH A PROCEDURE WOULD POSE PRACTICAL PROBLEMS FOR MANY EUROPEAN GOVERNMENTS SUCH AS BELGIUM'S, HE SAID, SINCE THESE TERMS ARE OFTEN DECIDED BY DIFFERENT AGENCIES. MORE SERIOUSLY, IN MORLEGHEM'S VIEW, SUCH AN ENLARGED "COCK-TAIL" OF FOUR TIME PERIODS, BASED ON THESE TWO VARIABLES BUT NOT ON OTHERS (E.G., GRANT ELEMENTS) AND EXTENDING MAXIMUM MATURITY TO 12 YEARS, WOULD GIVE BUYERS UNACCEPTABLY WIDE SCOPE TO PLAY SUPPLIERS OFF ONE AGAINST ANOTHER. THIS PROCESS COULD SERVE TO HOLD TERMS DOWN TO OVERALL FLOOR MINIMUMS WHICH ARE TOO LOW FOR MANY CONSENSUS COUNTRIES (E.G., BELGIUM) TO MAINTAIN.

3. THE U.S. PROPOSALS POSE OTHER DIFFICULTIES, ACCORDING TO MORLEGHEM. THE INTERDICTION ON LOCAL COST SUPPORT AND EXCHANGE OR INFLATION INSURANCE WILL BE UNACCEPTABLE TO FRANCE AND POSSIBLY OTHERS; INSISTENCE ON THESE ELEMENTS WOULD WRECK THE CONSENSUS. THE INFLATION INSURANCE ISSUE SHOULD BE LEFT TO GATT--AND ATTEMPTS TO RING IN EXCHANGE RATE INSURANCE WOULD ONLY EMBROIL THE U.S. IN UNHELPFUL DISCUSSION OF ITS INTERNATIONAL MONETARY POLICIES. FINALLY, CONSULTATION UNDER THE MORE COMPLICATED GUIDELINES ENVISAGED WOULD BE VERY INVOLVED AND CUMBERSOME. THE CONSENSUS SHOULD MOVE IN THE OPPOSITE DIRECTION, LIMITED OFFICIAL USE

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ACCORDING TO MORLEGHEM, TOWARDS MORE EFFECTIVE CONSULTATIONS BASED ON A MORE CLEARLY DEFINED VERSION OF THE EXISTING GUIDELINES, RATHER THAN CREATING A MORE ELABORATE FRAMEWORK.

4. EMBASSY WILL BE PLEASED TO PASS BACK TO MORLEGHEM ANY WASHINGTON REACTION OR QUESTIONS ON THESE POINTS. CHAMBERS

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Message Attributes

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Sent Date: 11-Aug-1977 12:00:00 am
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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